



ROOTS REPORTS SOLID FIRST QUARTER RESULTS

DRIVEN BY INCREASED SALES AND CONTINUED MARGIN GROWTH

- Sales increase 15.3% year-over-year to \$43.1 million
- Gross margin improves 340 basis points (“bps”) to 60.9%
- Net loss totals (\$5.3) million compared to (\$4.9) million in Q1 2021
- Adjusted EBITDA² amounts to (\$3.2) million compared to (\$2.5) million in Q1 2021
- Adjusted EBITDA rises \$2.2 million year-over-year, excluding government subsidies and rent abatements
- Net debt decreases nearly 50% year-over-year to \$39.4 million and leverage ratio of 0.8x

TORONTO, June 14, 2022 – [Roots](#) (“Roots,” “Roots Canada” or the “Company”) (TSX: ROOT), a premium outdoor-lifestyle brand, today announced financial results for its first quarter ended April 30, 2022. All financial results are reported in Canadian dollars unless otherwise stated. Certain metrics, including those expressed on an adjusted basis, are non-IFRS measures. See “Non-IFRS Measures and Industry Metrics” below.

“Roots delivered solid first quarter results with sales increasing 15.3% year-over-year mainly due to greater customer traffic. Our performance for the quarter validates our omni-channel growth plan and renewed strategy focused on optimizing our product portfolio, elevating our brand image and driving overall demand. While industry-wide supply-chain disruptions remain present, our team continues to stress operational excellence by diligently seeking optimal logistics solutions,” stated Meghan Roach, President and Chief Executive Officer of Roots.

“Through high-profile collaborations with artists, celebrities and influencers, we continue to promote brand awareness to a broader global audience and leverage our highly attractive customer demographics. Over 70% of our customers have been loyal to Roots for more than 10 years, while our brand has resonated across the marketplace for nearly 50 years. We also recently joined the Sustainable Apparel Coalition, reflecting our commitment to reducing our environmental footprint and promoting social justice throughout the global supply chain. Based on our enduring brand affinity, premium product offering and ongoing operational efficiencies, we plan to stay the course with a focus on our long-term, profitable growth strategy,” Ms. Roach added.

SELECTED FINANCIAL INFORMATION (in thousands of CAD\$, except per share amounts)	First quarter ended		
	April 30, 2022	May 1, 2021	Change
Total sales	43,072	37,345	15.3%
Direct-to-Consumer (“DTC”) sales	37,377	31,418	19.0%
Partners & Other sales	5,695	5,927	(3.9%)
Gross profit	26,218	21,474	22.1%
Gross margin	60.9%	57.5%	+340 bps
Selling, General and Administrative (“SG&A”) expenses	31,306	25,879	21.0%
Subsidies and abatements¹	134	3,031	(95.6%)
Net loss	(5,261)	(4,938)	-
Net loss per share	(\$0.13)	(\$0.12)	-
Adjusted EBITDA²	(3,204)	(2,537)	-

¹Subsidies and abatements are reported as a reduction to the related expense, either as a decrease to Cost of Goods sold or to SG&A expenses.

²Adjusted EBITDA is a non-IFRS Measure. See “Non-IFRS Measures and Industry Metrics” below.

“We are particularly pleased with our gross profit growing by 22.1% and gross margin climbing to 60.9% in the first quarter of 2022 on the strength of increased sales volume and reduced markdowns. It speaks to the power and positioning of our brand that we can hold pricing on our diverse product lines. In terms of profitability, our Adjusted EBITDA increased \$2.2 million year-over-year, excluding government subsidies and occupancy-related abatements. Looking ahead, we plan to build on our sound financial position and accelerate our long-term growth strategy,” said Mona Kennedy, Chief Financial Officer of Roots.

FIRST QUARTER OVERVIEW

Total sales increased 15.3% to \$43.1 million in Q1 2022 from \$37.3 million in the first quarter of fiscal 2021 (“Q1 2021”). DTC sales (corporate retail store and eCommerce sales), reached \$37.4 million, up 19.0% year-over-year. These increases reflect the full opening of all Roots stores during Q1 2022 compared to approximately 70% in the same period of 2021 during a partial lockdown of the economy caused by the COVID-19 pandemic. Year-over-year corporate store traffic rose significantly and, conversely, eCommerce revenues moderated due to a change in consumer shopping patterns.

Partners and Other sales (wholesale Roots branded products, royalties on partner retail sales, licensing to select manufacturing partners and the sale of certain custom products) amounted to \$5.7 million in Q1 2022 compared to \$5.9 million in the same period of 2021. The slight decline in sales was primarily related to a reduction in the Company’s Asia business in Taiwan, which was higher during Q1 2021 due to a shift in timing of wholesale orders, partially offset by strong growth in sales of custom Roots-branded products to business clients and sales through TMall.com in China.

Gross profit reached \$26.2 million in Q1 2022 compared to \$21.5 million in Q1 2021, representing an increase of 22.1%. Gross margin improved to 60.9% in Q1 2022 from 57.5% in Q1 2021. This increase reflects an improvement in merchandise margin stemming from lower markdowns and favourable foreign exchange benefits, partially offset by year-over-year variations in government subsidies and a 100 bps impact from higher transportation costs for the air freight of certain products.

Selling, general and administrative expenses increased to \$31.3 million in Q1 2022 from \$25.9 million in Q1 2021. The 21.0% increase was primarily driven by higher store payroll costs related to stores being fully open during Q1 2022 as well as negligible government subsidies and abatements from landlords in 2022 compared to 2021.

Net loss totaled (\$5.3) million, or (\$0.13) per share, in Q1 2022, as compared to a net loss of (\$4.9) million, or (\$0.12) per share, in Q1 2021. Excluding the impact of government subsidies and occupancy-related cost abatements that positively impacted prior year’s results, net loss would have improved by \$1.8 million year-over-year.

Adjusted EBITDA amounted to (\$3.2) million in Q1 2022 as compared to (\$2.5) million in Q1 2021. Excluding the impact of government subsidies and occupancy-related cost abatements that positively impacted prior year’s results, Adjusted EBITDA would have increased by \$2.2 million year-over-year.

At the end of Q1 2022, Roots financial position was solid with a net debt of \$39.4 million, down nearly 50% from \$76.4 million at the end of Q1 2021. As at April 30, 2022, the Company had a total amount of debt outstanding of \$61.1 million under its credit facilities, unused borrowing capacity available of \$59.6 million under its revolving credit facility, and cash of \$20.4 million. Roots leverage ratio, defined as total net debt to trailing 12-months Adjusted EBITDA, was 0.8 times at quarter-end.

ROOTS CARES

For nearly 50 years, Roots has been committed to giving back to and partnering with communities in need. With the Company’s values of community, integrity, freedom, and being genuine in mind, Roots is committed to embracing individuality through respect, acceptance, representation, and empowerment. The Company’s philanthropic endeavours, now branded as “Roots Cares”, are focused on amplifying the values shared with customers. Since February 2020, Roots has donated approximately \$3.0 million of cash and in-kind donations to various organizations within the communities in which Roots operates.

CONFERENCE CALL AND WEBCAST INFORMATION

Roots will hold a conference call to review its first quarter 2022 results on June 14, 2022, at 8:00 a.m. ET. All interested parties can join the call by dialing 416-764-8659 or 1-888-664-6392 and using conference ID: 98575985. Please dial in 15 minutes prior to the call to secure a line. The conference call will be archived for replay until June 21, 2022, at midnight, and can be accessed by dialing 416-764-8677 or 1-888-390-0541 and entering the replay passcode: 575985#.

A live audio webcast of the conference call will be available on the Events and Presentations section of the Company's investor website at <https://investors.roots.com> or by following the link [here](#). Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast. An archived replay of the webcast will be available on the Company's website for one year.

See Roots Consolidated Financial Statements and the Company's Management's Discussion and Analysis of Financial Condition and Results of Operations for the first quarter ended April 30, 2022, on the Company's investor website at <https://investors.roots.com> and on SEDAR at www.SEDAR.com.

NON-IFRS MEASURES AND INDUSTRY METRICS

This press release makes reference to certain non-IFRS measures including certain metrics specific to the industry in which we operate. These measures are not recognized measures under International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures are not intended to represent, and should not be considered as alternatives to net income (loss) or other performance measures derived in accordance with IFRS as measures of operating performance or operating cash flows or as a measure of liquidity. In addition to our results determined in accordance with IFRS, we use non-IFRS measures including EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss), and Adjusted Net Income (Loss) per Share. We believe these non-IFRS measures and industry metrics provide useful information to both management and investors in measuring our financial performance and condition and highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. For further information regarding these non-IFRS measures, please refer to "Cautionary Note-Regarding Non-IFRS Measures and Industry Metrics" in our management's discussion and analysis for Q1 2022, which is incorporated by reference herein and is available on SEDAR at www.SEDAR.com or the Company's Investor Relations website at <https://investors.roots.com>.

The table below provides a reconciliation of net loss to EBITDA and Adjusted EBITDA for the periods presented:

CAD \$000s	Q1 2022	Q1 2021
Net loss	(5,261)	(4,938)
<i>Add the impact of:</i>		
Interest expense (a)	1,985	2,278
Income taxes recovery (a)	(1,812)	(1,745)
Depreciation and amortization (a)	7,185	7,518
EBITDA	2,097	3,113
<i>Adjust for the impact of:</i>		
SG&A: Rent expense excluded from net loss as a result of IFRS 16 (a)	(5,515)	(5,890)
SG&A: Purchase accounting adjustments (b)	19	27
SG&A: Stock option expense (c)	200	73
SG&A: Changes in key personnel (d)	(5)	140
Adjusted EBITDA	(3,204)	(2,537)

Notes:

- (a) The impact of IFRS 16 — Leases ("IFRS 16") in Q1 2022 and Q1 2021 was: (i) a decrease to SG&A expenses of \$1,168 and \$1,213, respectively, which comprised the impact of depreciation on the right-of-use ("ROU") assets, net of the exclusion of rent payments from SG&A expenses, (ii) an increase in interest expense of \$1,229 and \$1,430, respectively, arising from interest expense recorded on the lease liabilities in the period, and (iii) a deferred tax impact of \$(16) and \$(57), respectively, based on tax attributes on the ROU assets and lease liabilities balances recorded.

- (b) As a result of Searchlight Capital Partners assuming control of Roots in 2015 (the “Acquisition”), the Company recognized an intangible asset for lease arrangements in the amount of \$6,310, which when excluding the impacts of IFRS 16, is amortized over the life of the leases and included in SG&A expenses. In the Company’s view, this cost does not reflect the underlying profitability of the business and would reduce the ability to compare such underlying results to historical periods prior to the Acquisition.
- (c) Represents non-cash share-based compensation expense in respect of the Company’s Legacy Equity Incentive Plan, Legacy Employee Option Plan, and Omnibus Incentive Plan.
- (d) Represents expenses incurred in respect of the Company’s efforts to recruit for vacancies in key management positions and severance costs associated with such employee separations. In Q1 2022, expense recovery is from a reduced recruiting charge in comparison to what had been previously accrued during the fourth quarter of fiscal 2021.

ABOUT ROOTS

Established in 1973, Roots is a global lifestyle brand. Starting from a small cabin in northern Canada, Roots has become a global brand with over 100 corporate retail stores in Canada, two stores in the United States, and an eCommerce platform, www.roots.com, that serves over 55 international markets. We have more than 100 partner-operated stores in Asia, and we also operate a dedicated Roots-branded storefront on Tmall.com in China. We design, market, and sell a broad selection of products in different departments, including women’s men’s, children’s, and gender-free apparel, leather goods, footwear, and accessories. Our products are built with uncompromising comfort, quality, and style that allows you to feel at home with nature. We offer products designed to meet life’s everyday adventures and provide you with the versatility to live your life to the fullest. We also wholesale through business-to-business channels and license the brand to a select group of licensees selling products to major retailers. Roots Corporation is a Canadian corporation doing business as “Roots” and “Roots Canada”.

FORWARD-LOOKING INFORMATION

Certain information in this press release contains forward-looking information. This information is based on management’s reasonable assumptions and beliefs in light of the information currently available to us and is made as of the date of this press release. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors. Information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. Statements containing forward-looking information are not facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances. Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements.

See “Forward-Looking Information” and “Risk Factors” in the Company’s current Annual Information Form for a discussion of the uncertainties, risks and assumptions associated with these statements. Readers are urged to consider the uncertainties, risks and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. We have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities law.

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